

ORDINANCE No.

118595

Law Department

COUNCIL BILL No.

111740

The City of Seattle--I

REPORT OF COM

AN ORDINANCE relating to economic development; authorizing the sale of notes receivable derived from federal Community Development Block Grant ("CDBG"), Urban Development Action Grant, and Urban Renewal funds to a nonprofit development lending company; appropriating income received from those notes for loans and grants to such company and for other community development projects; authorizing a grant of CDBG funds for business technical assistance activities and appropriating funds therefor; authorizing amendment of the City's Consolidated Plan; amending Ordinance 116854 and abandoning certain appropriations under Ordinances 116854 and 116341; authorizing appropriate agreements; and ratifying and confirming prior acts.

Honorable President:

Your Committee on

to which was referred the within Council Bill No. _____
report that we have considered the same and respectfully recom

COMPTROLLER FILE No.

Introduced: MAY 19 1997	By: CHOE
Referred: MAY 19 1997	To: Finance & Budget Committee
Referred:	To:
Referred:	To:
Reported: MAY 27 1997	Second Reading: MAY 27 1997
Third Reading: MAY 27 1997	Signed:
Presented to Mayor: MAY 28 1997	Approved: MAY 27 1997 JUN - 4 1997
Returned to City Clerk: JUN - 4 1997	Published: title 3pp.
Vetoed by Mayor:	Veto Published:
Passed over Veto:	Veto Sustained:

Full Council vote 9

OK

E

Committee

US5017

SMEAD 45 YSP 17703

Law Department

Passed 4-0

The City of Seattle--Legislative Department

REPORT OF COMMITTEE

Date Reported
and Adopted

Honorable President:

Your Committee on

to which was referred the within Council Bill No.

report that we have considered the same and respectfully recommend that the same:

Full Council vote 9-0

Committee Chair

SMEAD 45 YSP 17703

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ORDINANCE 118595

AN ORDINANCE relating to economic development; authorizing the sale of notes receivable derived from federal Community Development Block Grant ("CDBG"), Urban Development Action Grant, and Urban Renewal funds to a nonprofit development lending company; appropriating income received from those notes for loans and grants to such company and for other community development projects; authorizing a grant of CDBG funds for business technical assistance activities and appropriating funds therefor; authorizing amendment of the City's Consolidated Plan; amending Ordinance 116854 and abandoning certain appropriations under Ordinances 116854 and 116341; authorizing appropriate agreements; and ratifying and confirming prior acts.

WHEREAS, in early 1996, after the City Office of Economic Development conducted focus groups and interviews of community organizations, technical assistance providers, and financial assistance providers on the direction of the City's Small Business Loan Program, the decision was made to establish a non-profit Development Lending Company ("DLC") and Business Assistance Center ("BAC") to provide technical assistance and lending activities to start-up and existing businesses in the City's lower-income neighborhoods;

WHEREAS, the City Council by Resolution 29362 authorized the Seattle Office of Economic Development ("OED") to issue a request for qualifications ("RFQ") to identify a qualified entity or team of people to operate a Development Lending Company and Business Assistance Center that will provide small business lending and business assistance services as part of the City's federally funded efforts to promote business formation, job creation, community revitalization and other City community and economic development objectives;

WHEREAS, the City Office of Economic Development conducted a procurement process and the finalist chosen to develop and operate the DLC and BAC has written an acceptable Business Plan on the operations of the two entities;

WHEREAS, the City Office of Economic Development has negotiated with the operator of the DLC and BAC to sell most of the City's Small Business Loan assets derived from the sources described below in return for a promissory note;

WHEREAS, the terms of sale will allow the DLC and BAC to earn performance credits as defined in the performance credit plan against the purchase price for success in creating jobs and expanding small businesses through loans and technical assistance;

WHEREAS, the City holds certain notes receivable derived from loans of federal Urban Development Action Grant ("UDAG") funds to public and private entities, including loans authorized or modified pursuant to Ordinances 118499, 108997, 116414, 116266, 109267, 109268, 109942, and 111573;

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1 WHEREAS, the City also holds certain notes receivable derived from economic development loans to
2 small businesses of federal Community Development Block Grant ("CDBG") funds (including
CDBG program income);

3 WHEREAS, pursuant to Ordinance 110540 the City sold to the Seattle Housing Authority ("SHA")
4 certain property in the Pike Place Market Urban Renewal Area, and by agreement with SHA is
entitled to certain payments derived from SHA's resale of a portion of such property to Post
5 Alley/First Pine Limited Partnership dated April 3, 1984;

6 WHEREAS, pursuant to federal law and agreements with HUD, the use of payments received by the
City from the above sources is restricted to activities that fulfill the purposes of federal
7 programs;

8 WHEREAS, the City Council has previously created revolving funds for the use of income received
from the above sources for further economic development loans, and the Executive has
9 recommended that the majority of the moneys in such revolving funds now be provided to the
DLC in order to support its community development lending activities;

10 WHEREAS, Ordinance 117729, adopted by the Seattle City Council on August 3, 1995, authorized the
establishment of the Central Area Capital Fund Program to provide funds to be used for capital
11 projects, grants, and loans in the Central Area to be made or administered by the Office of
Economic Development through nonprofit agencies;

12 WHEREAS, Ordinance 117944, adopted by the Seattle City Council on December 11, 1995, authorized
13 the City of Seattle's Enterprise Community Program;

14 WHEREAS, the Enterprise Community Program established a collaboration with the Seattle
Community Development Partnership to provide capital funds for community development
15 projects; and

16 WHEREAS, there are available proceeds from the City's Urban Development Action Grant (UDAG)
17 projects, in addition to the moneys to be provided to the DLC, which should be used for
community development projects; Now, therefore,

18 BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

19 Section 1. The sale to Seattle Economic Development Fund, a Washington nonprofit
20 corporation (referred to as the "development loan company" or "DLC") of the notes receivable listed on
21 Exhibit A to this ordinance and the related rights and interests of the City (the "Portfolio"), is hereby
22 approved and authorized.
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1 Section 2. The sale of the Portfolio shall be conducted pursuant to an Asset Sale
2 Agreement as contemplated by a Letter of Intent in the form attached to this Ordinance as Exhibit B,
3 with such modifications not affecting the basic terms of the sale as the Director of Economic
4 Development ("OED Director") may deem necessary or appropriate to implement the intent of this
5 Ordinance ("Letter of Intent"). The OED Director is authorized, for and on behalf of The City of
6 Seattle, to sign and deliver the Letter of Intent, to negotiate the definitive agreements contemplated by
7 the Letter of Intent consistent with its basic terms, and to execute, deliver and perform such agreements.
8 The City Council finds that the job creation and business growth within the City that may give rise to
9 credits against the DLC's payment obligations to the City under the performance credit provisions
10 contemplated by the Letter of Intent, as generally described in Exhibit C to this Ordinance, will satisfy
11 public purposes of the City, in addition to the purposes of the relevant federal programs. The Mayor or
12 OED Director is authorized to terminate or modify the initial performance credit terms for the DLC as he
13 or she shall deem necessary or appropriate to implement the intent of this Ordinance and protect the
14 interests of the City.

15 Section 3. To the extent provided in the Asset Sale Agreement, and consistent with the
16 Letter of Intent, payments received by the City or its loan servicing agent on the notes sold thereunder,
17 after the closing of the sale of the Portfolio, shall be considered received in trust for the DLC, shall be
18 deposited in the Finance Director's Clearing Account, and upon the direction of the OED Director shall
19 be disbursed to the DLC or deposited in an account established under the Asset Sale Agreement.

20 Section 4. After execution and delivery of the Asset Sale Agreement and upon the request
21 of the OED Director, the City Clerk, Finance Director, or other officer having custody of any original
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notes, instruments, or other agreements assigned thereunder is authorized and directed to deliver the same to the OED Director or her designee for delivery to the DLC.

Section 5. Section 1 of Ordinance 116854, as amended by Ordinance 117621, is hereby repealed effective on the earlier of the date of closing of the sale authorized under Section 1 or September 30, 1997.

Section 6. The unexpended and unobligated balance of the appropriations in Section 4 of Ordinance 116341, as amended by Section 5 of Ordinance 116854, is hereby abandoned, effective on the earlier of the date of closing of the sale authorized under Section 1 or September 30, 1997.

Section 7. The unexpended and unobligated balances of the appropriations made in Section 3, 7 and 8 of Ordinance 116854 are hereby abandoned.

Section 8. The following moneys held by the City from the following sources, not to exceed the dollar amounts stated in each case, are hereby appropriated for a loan and grant to the DLC as authorized under this Ordinance:

Fund/Account	Source of Moneys	DLC Appropriation
Housing and Community Development Revenue Sharing Fund ("H&CD") - CDBG Subfund	Payments on business loans made with CDBG funds or program income, not including CD Floats	866,407.55
H & CD Revenue Sharing Fund - UDAG Subfund	Payments on UDAG loans	1,113,572.45 *
H & CD - Urban Renewal Close-out Subaccount	Lorig Loan Payments	320,020.00
	TOTAL	2,300,000.00

Note: This appropriation does not include payments received on the Promenade 23 UDAG Loan.

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1 Section 11. The amount of up to \$1,800,000 from the funds appropriated under the previous
2 section shall be lent to the DLC to support an economic development project involving loans to small
3 businesses pursuant to a Loan Agreement as contemplated by the Letter of Intent. The Loan Agreement
4 will allow the DLC to earn Performance Credits against its repayment obligations, under terms as
5 contemplated in Exhibit C, and any modified terms approved by the Mayor or the OED Director. The
6 amount of up to \$500,000 from the payments on UDAG loans appropriated under the previous section
7 shall be granted to the DLC to provide additional lending capital pursuant to a Grant Agreement
8 consistent with the Letter of Intent. The loan and grant under this Section are conditioned upon the
9 closing of the sale authorized in Section 1 of this Ordinance.

10 Section 12. The Director of OED is authorized, for and on behalf of the City, to execute,
11 deliver, perform, administer, and modify such agreements and other documents as she shall deem
12 reasonably necessary to carry out the transactions contemplated by this Ordinance. Such authority
13 includes, without limitation, the authority to endorse original promissory notes or other instruments
14 payable to the City for the receivables listed on Exhibit A, which notes and instruments shall be
15 endorsed without recourse to the City.

16 Section 13. The Director of Housing and Human Services or her designee shall make
17 appropriate amendments to the City's 1997-1998 Consolidated Plan, adopted by Resolution 29482, to
18 reflect the transactions authorized in this Ordinance.

19 Section 14. The Director of the Department of Housing and Human Services is directed to
20 reallocate Community Development Block Grant funds from Activity H900Z093, Unallocated 1993
21 Closed Projects, to the 1997 CDBG Economic Development Service Area - Business Technical
22 Assistance Activity (Log 4030C). Funding up to FIFTY THOUSAND DOLLARS (\$50,000) is hereby
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1 appropriated from the Housing and Community Development Revenue Sharing Fund for these purposes.

2 The Director of the Office of Economic Development is authorized to enter into such agreements as are
3 necessary to implement this activity.

4 Section 15. The Director of the Office of Economic Development is authorized to enter such
5 agreements as are necessary with the Seattle Community Development Partnership, the Puget Sound
6 Local Initiatives Support Corporation, or any other implementing entity to provide funds for community
7 development projects in Seattle's low-income communities. The balance of moneys held by the City
8 from payments on UDAG loans other than the Promenade 23 UDAG loan referred to in Section 14 after
9 the sale of assets, grant and loan approved in Sections 1 and 9 above, and identified in the table in
10 Section 8, not to exceed SEVEN HUNDRED THOUSAND DOLLARS (\$700,000), is hereby
11 appropriated from the Housing and Community Development Revenue Sharing Fund for these purposes.
12 The OED Director is authorized, for and on behalf of the City, to enter into, modify, perform and
13 administer such agreements and to take such other actions and execute and deliver such other documents
14 as shall be reasonably necessary or appropriate to carry out the intent of this Section. All necessary
15 appropriations are hereby made and all necessary transfers authorized to carry out the intent of this
16 Section. All such appropriations shall carry forward from year to year unless expressly abandoned by
17 Ordinance.

18 Section 16. The Promenade 23 UDAG loan is not included in the transfer of assets to the
19 DLC. All payments received from the existing UDAG loan to assist the development of the Promenade
20 23 Shopping Center, made pursuant to Ordinance 108631 and modified pursuant to Ordinance 115904,
21 shall be dedicated to the Central Area Capital Fund Program. All funds previously received by the City
22 and to be received in payments on this loan prior to December 31, 2015, up to a maximum amount of
23
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1 Two Million DOLLARS (\$2,000,000), are hereby appropriated from the Housing and Community
2 Development Revenue Sharing Fund for these purposes. The City will remain the holder of the Pike
3 Market UDAG loan but will assign a participation interest to the DLC representing the mandatory cash
4 payments of \$20,000 per year for ten years. The OED Director is authorized, for and on behalf of the
5 City, to enter into, modify, perform, and administer such agreements and to take such other actions and
6 execute and deliver such other documents as shall be reasonably necessary or appropriate to carry out the
7 intent of this Section. All necessary appropriations are hereby made and all necessary transfers
8 authorized to carry out the intent of this Section. All such appropriations shall carry forward from year
9 to year unless expressly abandoned by Ordinance.

10 Section 17. Any act pursuant to the authority and prior to the effective date of this ordinance
11 is hereby ratified and confirmed.
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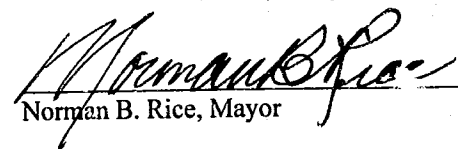
Section 18. Except to the extent that a specific section of this Ordinance provides for a different effective date, this ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor; but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by the Municipal Code Section 1.04.020.

Passed by the City Council the 27 day of May, 1997, and signed by me in open session in authentication of its adoption this 27 day of May, 1997.



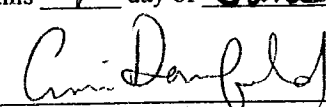
President of the City Council

Approved by me this 4 day of June, 1997.



Norman B. Rice, Mayor

Filed by me this 4 day of June, 1997.



City Clerk

Exhibit A: Portfolio Listing
Exhibit B: Letter of Intent
Exhibit C: Performance Credit Structure

(SEAL)

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Exhibit A
Portfolio Listing

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Exhibit B
Letter of Intent

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Exhibit A

**VALUE OF LOAN PORTFOLIO
AS OF 4/30/97**

FUND NAME	PRINCIPAL	ACCRUED INT AS OF 4/30/97	TOTAL
CDBG	1,492,186	9,701	1,501,887
UDAG-RESTRICTED	249,499	2,054	251,553
UDAG-UNRESTRIC	1,047,013	5,325	1,052,338
URBAN RENEWAL	325,000	66,316	391,316
UDAG-RESTRICTED	570,398	317	570,715
TOTAL	3,684,096	83,713	3,767,809

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Exhibit A

CDBG

NAME	PRINCIPAL	ACCRUED INT AS OF 4/30/97	TOTAL
A Frame Gallery II	13,535	9	13,544
Access Roofing	41,729	255	41,984
Bente Catering	39,418	246	39,664
Best Paint #2	8,050	50	8,100
BW Insurance	40,308	265	40,573
Catfish Corner #1	3,550	10	3,560
Catfish Corner #2	12,356	77	12,433
Charlotte's Heart Bakery	45,325	54	45,379
Community Day Center #1	2,301	2	2,303
Community Day Center #2	58,575	65	58,640
CWT	5,580	0	5,580
Delridge Studios	74,971	243	75,214
Dimensional Imaging	62,828	0	62,828
Dove Paloma	19,816	1,133	20,949
Empaco	3,623	8	3,631
Ezell's	40,870	114	40,984
Gentlemen's Consignment	308	1	309
Gourmet Mixes	41,064	295	41,359
Johnny Lightning Lube	3,158	12	3,170
Kidlinks	14,393	78	14,471
Kim Enterprises	13,836	112	13,948
Kokeb Restaurant	7,704	2	7,706
Maendeleo	9,634	3	9,637
Marc Tillis	2,296	1	2,297
Mark the Mechanic	6,624	2	6,626
Ms. Helen's Restaurant	20,709	46	20,755
Nesby	28,514	355	28,869
Northwest Memorial	3,690	36	3,726
NW Drug & Alcohol	12,010	32	12,042
Pacific Island Imports	2,406	18	2,424
Precision Autobody	836	1	837
Rainbow Learning	43,353	22	43,375
SA-Brand	50,901	676	51,577
Southwest Mortuary	34,827	22	34,849
Sportscut	24,893	408	25,301
Studio 174	14,761	23	14,784
Sweet Dreams Bakery	30,676	1,697	32,373
Tan Duc Grocery	36,690	69	36,759
Terra Properties	381,803	1,718	383,521
Threadbearer	3,686	89	3,775
Truss Industries #2	39,003	815	39,818
Truss Industries #3	39,000	329	39,329
UCEDA	27,606	138	27,744
Unforgettables	66,420	77	66,497
West Courier #2	20,640	40	20,680
Yen Wor Restaurant	37,910	53	37,963
TOTAL	1,492,186	9,701	1,501,887

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Exhibit A

UDAG - RESTRICTED (SE)

NAME	PRINCIPAL	ACCRUED INT AS OF 4/30/97	TOTAL
Lyjart	42,216	1,126	43,342
Manning Day Care	77,163	540	77,703
MLK Marketplace	72,075	328	72,403
Southwest Mortuary	58,045	60	58,105
TOTAL	249,499	2,054	251,553

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Exhibit A

UDAG - UNRESTRICTED

NAME	PRINCIPAL	ACCRUED INT AS OF 4/30/97	TOTAL
Family Quality Day Care	47,416	157	47,573
Maneki Restaurant	40,373	230	40,603
Off Center News	20,265	87	20,352
Pike Market *	200,000	0	200,000
Southsea Grill & Noodle	83,536	618	84,154
S. Sea Business Park, LLC	502,512	3,010	505,522
Wright Building	152,911	1,223	154,134
TOTAL	1,047,013	5,325	1,052,338

- * The City will remain the holder of the Pike Market UDAG loan but will assign a participation interest to the DLC representing the mandatory cash payments of \$20,000 per year for ten years.

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Exhibit A

URBAN RENEWAL

NAME	PRINCIPAL	ACCRUED INT AS OF 4/30/97	TOTAL
Lorig	325,000	66,316	391,316
TOTAL	325,000	66,316	391,316

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Exhibit A

UDAG - RESTRICTED (ID)

NAME	PRINCIPAL	ACCRUED INT AS OF 4/30/97	TOTAL
SCIPDA	570,398	317	570,715
TOTAL	570,398	317	570,715

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City of Seattle

Executive Department—Office of Economic Development

Mary Jean Ryan, Director
Norman B. Rice, Mayor



DRAFT

Mr. James Thomas
Seattle Economic Development Association

Re: Transfer of Loan Portfolio and City Funding of Development Lending
Company and Business Assistance Center

Dear Jim:

I am pleased to provide this nonbinding letter of intent, which will describe the various agreements to be completed and signed in order to establish the City of Seattle's relationship with Seattle Economic Development Fund (the "Development Loan Company" or "DLC"), Seattle Business Assistance Center (the "Business Assistance Center" or "BAC"), and Seattle Economic Development Association ("SEDA"). These are all Washington nonprofit corporations that you have recently organized, and will be referred to collectively below as the "Companies".

The DLC has been established to qualify as a Community Based Development Organization ("CBDO") under applicable regulations of the United States Department of Housing and Urban Development ("HUD"), and as a nonbank lender regulated under state law, RCW Ch. 31.40, by the Washington Supervisor of Banking. The purpose of the DLC is to originate, package, and service small business loans for existing and startup businesses in the City of Seattle that could not obtain conventional financing on their own,

Mr. James Thomas
May 14, 1997
Page 2

in a manner that predominantly benefits disadvantaged communities. The purpose of the BAC is to provide technical assistance to similar existing and startup businesses in the City of Seattle, including microenterprises, and including businesses served by the DLC as well as other lenders. The BAC and DLC are to receive startup support for operations from federal funds provided by the City of Seattle and funding from the Seattle Small Business Lenders Association ("SSBLA"), a nonprofit organization established by a consortium of banks, as well as other sources. The DLC is expected to become self sufficient by the 2nd year and by the fourth year be able to contribute to the operational budget of the BAC.

1. General Conditions. The following are preconditions to all of the arrangements described below in this letter. Additional conditions will be specified in the definitive agreements.

a. The DLC, the BAC and SEDA shall be duly organized, with Articles and Bylaws acceptable to the City, with functioning Boards of Directors and adequate staff. The DLC shall have qualified as a Community-Based Development Organization ("CBDO") to the satisfaction of HUD and the City.

b. The BAC must obtain a firm commitment from the SSBLA and other banking institutions for at least \$125,000 to support the BAC's initial year's operations, which commitment shall be in form and content satisfactory to the City.

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Page 3

c. The City and the Company shall have agreed upon the definitive terms of all of the agreements described below and all necessary ancillary documents.

d. An ordinance of the Seattle City Council approving the terms of this letter shall have become effective in accordance with the City Charter.

e. The DLC and BAC shall have prepared and adopted a Business Plan consistent with the intent of this letter and the Business Plan Instructions issued by the City's Office of Economic Development ("OED") and acceptable to the City.

f. The Business Plan shall include or have attached, a description of the economic development project under 24 CFR Section 570.204 to be conducted by the DLC and BAC as CBDOs, and the City shall have determined that the project as described satisfies applicable HUD regulations.

2. Asset Sale Agreement.

a. The City intends to enter into an agreement for the sale to the DLC of most of the City's portfolio of federally funded economic development loans itemized on Exhibit A to this letter ("Portfolio"), for the amount of \$3,767,809, subject to adjustment as described below. Loans not reflected on Exhibit A shall

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May 14, 1997
Page 4

not be included. The City shall retain a security interest in the loans transferred and in the collateral for those loans, which collateral will be assigned to the DLC. However, for loans with balances under \$50,000, the City's security interest shall not require the DLC to obtain City approval for actions affecting the loan or the collateral, so long as the DLC is in compliance with the Asset Sale Agreement.

b. You are familiar with this loan portfolio as a result of the loan origination and servicing function performed by Parker and Thomas, Inc. under an agreement with the City (that agreement will terminate effective on the completion date of the transactions described in this letter). The sale price shall be payable under the terms of a promissory note ("Asset Sale Note") at 8.5% simple annual interest, with annual installments sufficient to pay off principal and interest over ten years, with the first annual payment due November 1, 1998 in accordance with the attached schedule ("Exhibit C") The sale price of the portfolio has been negotiated as of April 30, 1997; therefore, the DLC shall receive a credit against the purchase price in the amount by which the total principal and interest outstanding on the portfolio as of the date of closing is less than the total principal and interest outstanding on the portfolio as of April 30, 1997. Such credit shall apply against the last installment on the Asset Sale Note.

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Mr. James Thomas
May 14, 1997
Page 5

c. The DLC shall be entitled to earn performance credits against its obligations on the Asset Sale Note for the purchase price in accordance with the terms of the Asset Sale Agreement. These terms will be based upon the performance credit plan described in Exhibit B to this letter. The purpose of the performance credit plan is to provide the DLC with an incentive to maximize the assistance to eligible businesses and the job creation activity of such businesses, through both the activities of the DLC and the technical assistance provided by the BAC. The BAC and SEDA will be additional parties to the Asset Sale Agreement and Asset Sale Note.

d. It is understood that, because of your familiarity with this loan portfolio, the City will make no representations and provide no warranties with respect to the transferred loans, and there will be no recourse to the City for any loans that prove uncollectible.

e. Throughout the term of the Asset Sale, the DLC and BAC shall be required to satisfy certain basic performance criteria summarized in Section 7 below. Failure to satisfy any of these requirements shall be an event of default.

f. In general, the use of funds collected by the DLC on the transferred loans will not be subject to prior City approval or regulatory conditions. However, the Asset Sale Agreement will contain covenants, including restrictions on distributions and changes in corporate structure or purposes, designed to ensure the use of such

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Exhibit C

Performance Credit Structure

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Exhibit C

Development Lending Company and Business Assistance Center **PERFORMANCE CREDIT PLAN**

5/16/97

Introduction

The City of Seattle, along with other community business development leaders, has proposed the creation of a non-profit Development Lending Company and Business Assistance Center (DLC/BAC) to provide business development and financial services to distressed communities within Seattle City limits. To help establish the new small business program and to properly capitalize the non-profit lending entity for long term success, the City will sell on contract most of its federally funded small business loan assets and transfer a portfolio of existing small business loans. The City's lending assets will be transferred in return for a promissory note and performance contract. The loan will carry an 8.5% interest rate and will require annual payments. However, by meeting annual performance goal targets, the DLC/BAC can earn credits towards the annual loan payments. This document will explain the policies and the formula for calculating performance credits.

The performance credit structure has been designed to provide a reward system based on both business technical assistance and lending results. Credits can be earned in the following areas:

- o increasing client business sales
- o increasing net income of micro businesses
- o brokering bankable deals to banks
- o providing short term assists (i.e. clients provided less than 6 hours of assistance)
- o creating jobs
- o sustaining jobs that were created as a result of DLC or BAC assistance
- o growing micro-enterprises
- o placing jobs with Low-to-Moderate Income individuals
- o creating jobs that pay livable wages

Different areas of performance have been valued according to how important they are to the City's economic development goals. For example, to encourage work with micro-enterprises and in recognition of the amount of time and labor required to develop micro-enterprises, credits for each micro-enterprise job sustained are valued greater than sustained jobs for non-micro-enterprises. Also, to encourage the creation of livable wage jobs, extra credits can be achieved if the livable wage target goal has been met.

If certain conditions are satisfied, earned credits will be applied each year against the annual payment owed to the city. After the City loan balance is brought down to \$0, there will no longer be contractual ties with respect to the transferred assets, though the City will require that the entities maintain Community Based Development Organization ("CBDO") status in perpetuity. (The CBDO status requirement is discussed more in the Letter of Intent document.)

It is assumed the goals of the combined ventures are as follows:

1. Create, sustain, and grow successful businesses over time.
2. Create and retain jobs for low- and moderate-income people with an emphasis on developing livable wage jobs.
3. Collaborate with other service providers to provide good quality business assistance services and not duplicate products and services.
4. Collaborate with other financial service providers, including banks, to obtain financing and not duplicate products and services.
5. Operate and grow the non-profit ventures, the BAC / DLC, in a financially sound and sustaining manner.

Projected Outcomes

Outcomes are shown on the spreadsheets attached.

1. Credit Values

Short-Term Assists:

\$10,000 credits is granted each year the annual short-term assists target is met.

Sales Increases:

The annual total sales increases credits are calculated at 7% of the annual sales increase.

Increase in Net Income:

The credits for increasing micro-enterprise client's net income is calculated by \$1 credit per \$1 of net income.

Brokered Loans:

Each brokered loan is worth \$1,000 in credits.

Jobs Created:

Each job created is worth \$1,000 in credits.

Jobs Sustained:

Each non-micro-enterprise job sustained is worth \$500 in credits.

Each micro-enterprise job sustained is worth \$2,000 in credits.

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Jobs Retained:

Each job retained is worth \$500 in credits.

Jobs Placed with Low-to-Moderate Income Persons

Each job placed with a low to moderate income person is worth \$1,000 in credits.

Livable Wage

Every year the wage levels for the created jobs of all clients will be reported. Each year that the average wage level for the entire portfolio of jobs created reaches the livable wage range (\$8 per hour and over), extra credits ranging from \$20,000 to \$60,000 will be given. The level of extra credits will increase through the years recognizing that in later years the absolute number of livable wage jobs created will be far greater than in the early phase of the project.

2. Definitions

Short-Term Assists:

This represents the number of customers who receive less than six hours of consultation or assistance during the course of a year. This may include people who inquire about setting up a business but chose not to follow through; or, people whose only service received from the BAC or DLC is a referral to an outside service provider for assistance.

Long-Term Assists:

This represents the number of customers who receive more than six hours of consultation or assistance during the course of a year and are supported in creating, sustaining or growing a business. The total number of long term assists is made up of the number of existing customers, less 35% attrition, plus the number of new long term assists (new BAC / DLC assists and borrowers).

New Assists:

This represents new customers that are assisted directly by the combined ventures plus those receiving services from other service providers.

New Borrowers:

This represents new DLC borrowers who were provided direct loans from the DLC.

Inherited Loans:

This represents the number of operating business loans transferred from the City's portfolio to Development Lending Company.

Brokered Loans:

Brokered loans are loans in which the BAC / DLC assembled the loan application package, brokered the loan deal to another lender (most likely a commercial bank lender), and where the loan was closed and funded by the other lender.

Jobs Created:

Jobs created is defined as a new job which was created as a result of assistance from the BAC or DLC. The created job count may include newly created jobs on the existing portfolio, new long term assist clients, new direct loans made by the DLC, new Small Business Administration (SBA) loans. Jobs are only considered created if they are an increase in number over the baseline level of jobs which the business client had at the time they came in for assistance. For example, a company whose existing jobs level is 3, comes in for assistance. The next year the company decreased jobs to 2, and the year after that, the company increased their jobs level to 5. The BAC/DLC can consider the job number over the baseline of 3 as jobs created; the jobs created count in year 2 would be 0 since they lost jobs and the jobs created count in the last year would be 2.

Jobs Sustained:

A job sustained is defined as a job which was originally created as a result of assistance from the Development Lending Company or Business Assistance Center, and was sustained over a three year period of tracking.

Jobs Retained:

A job retained is one which 1) was an existing job at a business which business came in for BAC / DLC assistance specifically because they were at risk of closing, and 2) would have been lost if it had not been for BAC or DLC assistance.

Long-Term Assists Factor:

The long term assists factor represents the total long-term assists figure for each year less 40% of new long term assist (new assists plus new borrowers) for the year to account for the time delay between when a person or business starts receiving services and when results are expected to occur. This figure is used to calculate the projected sales increases per the below assumptions.

Sales Increases:

Sales increases is defined as increases in sales as a result of assistance from the BAC or DLC and tracked over a three year period of time. Sales increases is considered an increase only if it is over the baseline level of actual sales reported at the time the business client came in for assistance. For example, a company whose existing sales level is \$100,000, comes in for assistance. The next year the company decreased sales to \$75,000, and the year after that, the company increased sales to \$115,000. The BAC/DLC can claim a sales increase of only \$15,000 in the last year since the business client only increased \$15,000 over the baseline of \$100,000.

Increase in Net Income:

This represents the IRS tax return reported income of microloan borrowers.

Micro-Loan Borrower or Micro-Borrower and Micro-Enterprise

A micro-loan borrower or micro-borrower is a micro-enterprise which has received a loan from the BAC/DLC. A micro-enterprise is a business which has no more than 2 Full Time Equivalents (FTEs) and no more than \$50,000 in annual sales.

Jobs Placed with Low-to-Moderate Income Persons

This represents jobs which are placed with individuals that have an income of 80% or less of median income for individuals living within Seattle.

Livable Wage

Livable wage is \$8 per hour or more.

3. Key Assumptions

Short-Term Assists:

It is assumed that given the number of employees providing business assistance at the DLC and BAC, that the annual level of short term assist activities will range from 125 - 165. The intent of "counting" and provide a small credit incentive for these interactions is to not discourage this type of interaction and is to acknowledge the labor cost(s) associated with these contacts.

Long-Term Assists:

Each year it is assumed 35% of this base of existing customers will no longer continue to receive services for a variety of reasons (e.g. loan is paid off; no longer interested; decide not to pursue starting a business, etc.) The long-term assists number is used to calculate the long term assists factor which is used to calculate an estimated sales increase level.

New Assists:

It is expected each business assistance officer will add a minimum of 15 new customers each year and that other service providers will work with 25 new customers each year to their caseload.

Inherited Loans:

This number declines during the first several years as the loans mature.

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Brokered Loans:

It is assumed at least twenty loans will be placed with, or done in cooperation with, other lenders or financial service providers each year except for year one. In year one it is assumed ten deals will be placed with other lenders or equity investors. The intent for counting the brokered loans is to encourage the BAC and DLC to work with the other lenders and let the banks take the bankable clients.

Jobs Created:

It is assumed the existing portfolio will incrementally create jobs over time. In addition it is assumed two jobs will be created by every new long-term assist. It is expected there will be some lag time between when a customer receives services and when a job will actually be created. Therefore while it is assumed one of these jobs will be created in the first year of participation with the program and one will be created in the second, a 40% lag factor is also built into the calculation. Likewise, it is assumed each loan transaction will result in two jobs being created using the same timeframe and lag time assumptions as above.

For SBA loans it is assumed that one job for every \$80,000 in financing assistance will be achieved since the majority of these deals will be for re-structuring of debt and working capital/equipment financing to improve cashflow.

For micro-loans it is assumed one job will be created per transaction and it is counted the year the loan is done. Micro-loan jobs are distinguished from the total jobs created count in recognition of the different level of job outcome per micro-loan. This number is also used to calculate jobs sustained from micro-enterprises.

Jobs Sustained:

These figures are presented to show the number of jobs that, at a minimum, will be sustained over an additional two year period and provide an incentive to continue to work with existing customers over the long-term. It is assumed that 75% of all jobs created will be sustained over a three year period of tracking the business's growth.

Jobs Retained:

It is assumed retention will be counted on an exception basis and therefore represents a very low figure. Jobs retained must be substantiated as truly jobs which would have been lost due to a pending business closure if it were not for BAC / DLC assistance.

Long-Term Assists Factor:

Growth in businesses through jobs and sales will be measured for all non-micro business enterprise clients from year to year for three years. It is assumed that not all of the clients coming in a particular year will have had enough time working with the BAC or DLC to benefit enough to grow by the next year. Because some clients may come in towards the middle or end of a tracking year, those clients may not have had the expected beneficial

impact of a full year's assistance. It is assumed that 40% of the business clients coming in any given year will not have had a full year of beneficial impact and will therefore not be counted to provide growth in sales or jobs the proceeding year. The long-term assists factor is a calculation of Total Long-Term Assists less the 40% of New Assists to account for the discount. This factor is used to calculate expected growth in sales annually.

Sales Increases:

It is assumed that on the average, a business client will increase its sales approximately \$30,000 each year as a result of assistance from the BAC or DLC. The projected sales increases are counted in the following year. Sales increases are calculated by taking the long term assists factor and multiplying it by \$30,000.

Sales Increase Caps:

Credits for sales increases will be limited to \$160,000 of annual increase per business client per year reported. The intent for the cap is to prevent too large of an amount annual credits from coming from the growth performance of only one client.

Micro-Loan Borrowers Increase in Net Income:

In these types of circumstances it is felt measuring the increase in personal income is a good alternative approach. Our numbers assume that on the average each micro-loan will realize a net income of \$3,500. The credit will reward the BAC/DLC for helping micro-borrowers boost their earnings level. This credit will be capped at an annual limit of \$7,000 for any one micro-borrower.

Jobs Placed with Low-to-Moderate Income Persons

It is assumed that 60% of all jobs created will be placed with a Low-to-Moderate Income Person. The 60% figure was estimated taking into account past performance of the existing program while it was operated by the City.

Livable Wage

Creating jobs that pay a livable wage is an important goal of the City. It is assumed that a livable wage pays at an hourly rate of \$8 an hour or more.

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PERFORMANCE OUTCOMES

PROJECTED OUTCOMES	1	2	3	4	5	6	7	8
Short Term Assists	125	130	140	150	155	155	160	160
Long Term Assists								
Existing Customers	44	106	182	224	255	278	290	299
(less 35% attrition)	15	37	64	78	89	97	102	105
New assists (direct & other svc)	45	70	70	70	70	70	70	70
New borrowers (direct loans)	32	43	36	39	42	40	40	40
Total Long Term Assists	106	182	224	255	278	290	299	304
Inherited Loans	44	31	26	19	13	10	7	7
Brokered Loans to Other Lenders	10	20	20	20	20	20	20	20
Jobs Created								
Portfolio	4	3	3	2	1	1	1	1
Other long term customers	27	87	130	140	140	140	140	140
New direct loans	19	58	77	77	79	82	81	80
SBA loans	0	9	0	9	18	16	16	16
Micro-loans	0	10	12	10	10	10	10	10
Total Jobs Created	51	167	222	238	248	249	248	247
Jobs Sustained								
Jobs maintained for 1 year	0	38	125	167	178	186	186	186
Jobs maintained for 2 year	0	0	38	125	167	178	186	186
Micro-enterprise jobs sustained	0	0	7	8	7	7	7	7
Total Non Micro Jobs Sustained	0	38	163	292	345	364	372	372
Total All Jobs Sustained	0	38	170	299	351	371	379	379
Jobs Retained								
Jobs at risk	2	2	2	2	2	3	3	3
Total of All Jobs Sustained and Retained	2	40	172	301	353	374	382	382
Sales Increases, in 000s	1056	2866	4208	5068	5701	6102	6344	6507
LT Assists Factor (for sales increase)	35	96	140	169	190	203	211	217
Increase in Net Income (Micros)	0	0	35,000	42,000	35,000	35,000	35,000	35,000

PERFORMANCE OUTCOMES

	1	2	3	4	5	6	7	8	9	10	TOTALS
	125	130	140	150	155	155	160	160	160	165	1500
	44	106	182	224	255	278	290	299	304	308	2289
	15	37	64	78	89	97	102	105	106	108	801
	45	70	70	70	70	70	70	70	70	70	675
	32	43	36	39	42	40	40	40	40	40	392
	106	182	224	255	278	290	299	304	308	310	2555
	44	31	26	19	13	10	7	7	7	7	171
	10	20	20	20	20	20	20	20	20	20	190
	4	3	3	2	1	1	1	1	1	1	17
	27	87	130	140	140	140	140	140	140	140	1224
	19	58	77	77	79	82	81	80	80	80	712
	0	9	0	9	18	16	16	16	16	16	116
	0	10	12	10	10	10	10	10	10	10	92
	51	167	222	238	248	249	248	247	247	247	2161
	0	38	125	167	178	186	186	186	185	185	1436
	0	0	38	125	167	178	186	186	186	185	1251
	0	0	7	8	7	7	7	7	7	7	53
	0	38	163	292	345	364	372	372	371	370	2687
	0	38	170	299	351	371	379	379	377	377	2740
	2	2	2	2	2	3	3	3	3	3	25
	2	40	172	301	353	374	382	382	380	380	2765
	1056	2866	4208	5068	5701	6102	6344	6507	6613	6682	51145
	35	96	140	169	190	203	211	217	220	223	1705
	0	0	35,000	42,000	35,000	35,000	35,000	35,000	35,000	35,000	287000

PERFORMANCE OUTCOMES

Performance Credits Calculations	1	2	3	4	5	6	7	8	
I. Sales / Net Income / Brokered Loans									
Sales Credits (Sales Increases*.07), 000s	74	201	295	355	399	427	444	455	
Net Income, Micros (NI * 100%), 000s	0	0	35	42	42	42	42	42	
Brokered Deals, (Deals * 1,000), 000s	10	20	20	20	20	20	20	20	
Extra Credit for hitting S-T Assist Target	10	10	10	10	10	10	10	10	
TOTAL	94	231	360	427	471	499	516	527	
II. Jobs, (Created, Retained, LMI, livable wage)									
Created (Created jobs * 1,000), 000s	51	167	222	238	248	249	248	247	
Sustained/Retained, non-micro (\$500 per)	1	20	83	147	173	184	188	188	
Sustained, micro (sustains * 2000), 000s	0	0	13	16	13	13	13	13	
Created jobs LMI placed (60%placed @ \$1,000 ea.)	30	100	133	143	149	149	149	148	
Livable Wage (avg met on created jobs), extra	20	20	30	30	40	40	50	50	
TOTAL	102	307	481	572	623	634	647	645	
GRAND TOTALS OF Section I & II	196	538	840	999	1094	1133	1163	1173	
Payment Due									
Projected Credits Earned	195,880	537,649	840,321	999,218	1,093,990	1,133,397	1,162,735	1,172,723	1,184,000
Loan #1 - Note on Portfolio Sale									
Principal Outstanding	3,767,809	3,767,809	3,767,809	3,690,780	3,421,255	3,081,435	2,693,027	2,256,934	1,584,000
Interest Due	320,264	444,648	320,264	313,716	290,807	261,922	228,907	191,839	134,000
Less Interest Paid	195,880	444,648	320,264	313,716	290,807	261,922	228,907	191,839	134,000
Interest Owed CarryOver	124,384	0	0	0	0	0	0	0	0
Principal Paid	0	0	77,029	269,524	339,820	388,408	436,092	667,183	1,054,000
Loan #2 - Note on Cash Lent									
Principal Outstanding	1,800,000	1,800,000	1,800,000	1,722,971	1,453,446	1,113,626	725,218	289,125	
Interest Due	153,000	306,000	365,999	146,453	123,543	94,658	61,643	24,576	
Less Amount Paid, Interest Pd First	0	93,001	365,999	146,453	123,543	94,658	61,643	24,576	
Interest Owed CarryOver	153,000	212,999	0	0	0	0	0	0	
Principal Paid	0	0	77,029	269,524	339,820	388,408	436,092	289,125	

PERFORMANCE OUTCOMES

DRAFT

	1	2	3	4	5	6	7	8	9	10	TOTALS
	74	201	295	355	399	427	444	455	463	468	3580
	0	0	35	42	42	42	42	42	42	42	329
	10	20	20	20	20	20	20	20	20	20	190
	10	10	10	10	10	10	10	10	10	10	100
	94	231	360	427	471	499	516	527	535	540	4199
	51	167	222	238	248	249	248	247	247	247	2161
	1	20	83	147	173	184	188	188	187	187	1356
	0	0	13	16	13	13	13	13	13	13	107
	30	100	133	143	149	149	149	148	148	148	1297
	20	20	30	30	40	40	50	50	60	60	360
	102	307	481	572	623	634	647	645	655	654	5280
	196	538	840	999	1094	1133	1163	1173	1169	1194	9519
	195,880	537,649	840,321	999,218	1,093,990	1,133,397	1,162,735	1,172,723	1,189,432	1,193,956	9,519,301
	3,767,809	3,767,809	3,767,809	3,690,780	3,421,255	3,081,435	2,693,027	2,256,934	1,589,752	535,449	
	320,264	444,648	320,264	313,716	290,807	261,922	228,907	191,839	135,129	45,513	2,553,009
	195,880	444,648	320,264	313,716	290,807	261,922	228,907	191,839	135,129	45,513	
	124,384	0	0	0	0	0	0	0	0	0	
	0	0	77,029	269,524	339,820	388,408	436,092	667,183	1,054,303	535,449	3,767,809
										612,994	
	1,800,000	1,800,000	1,800,000	1,722,971	1,453,446	1,113,626	725,218	289,125	0	0	
	153,000	306,000	365,999	146,453	123,543	94,658	61,643	24,576	0	0	
	0	93,001	365,999	146,453	123,543	94,658	61,643	24,576	0	0	909,873
	153,000	212,999	0	0	0	0	0	0	0	0	
	0	0	77,029	269,524	339,820	388,408	436,092	289,125	0	0	1,800,000

PERFORMANCE OUTCOMES

	196	538	840	999	1094	1133	1163	1173	1189
GRAND TOTALS OF Section I & II									
PAYMENT SCHEDULE ON BOTH NOTES									
Projected Credits Earned	195,880	537,649	840,321	999,218	1,093,990	1,133,397	1,162,735	1,172,723	1,189,432
Total Annual Payments Due (both notes)	190,000	525,000	825,000	1,000,000	1,075,000	1,125,000	1,150,000	1,175,000	1,175,000
Loan #1 - Note on Portfolio Sale									
Principal Outstanding	3,767,809	3,767,809	3,767,809	3,707,705	3,439,228	3,110,430	2,728,685	2,301,991	1,685,248
Interest Due, 8.5%	320,264	450,528	320,264	315,155	292,334	264,387	231,938	195,669	143,246
Less Interest Paid	190,000	450,528	320,264	315,155	292,334	264,387	231,938	195,669	143,246
Interest Owed CarryOver	130,264	0	0						
Principal Paid	0	0	60,104	268,477	328,798	381,745	426,694	616,743	1,031,754
Loan #2 - Note on Cash Lent									
Principal Outstanding	1,800,000	1,800,000	1,800,000	1,739,896	1,471,419	1,142,621	760,876	334,182	0
Interest Due, 8.5%	153,000	306,000	384,528	147,891	125,071	97,123	64,674	28,405	0
Less Amount Paid, Interest Pd First	0	74,472	384,528	147,891	125,071	97,123	64,674	28,405	0
Interest Owed CarryOver	153,000	231,528	0						
Principal Paid	0	0	60,104	268,477	328,798	381,745	426,694	334,182	

PERFORMANCE OUTCOMES

	196	538	840	999	1094	1133	1163	1173	1189	1194	9519
ES											
	195,880	537,649	840,321	999,218	1,093,990	1,133,397	1,162,735	1,172,723	1,189,432	1,193,956	9,519,301
(es)	190,000	525,000	825,000	1,000,000	1,075,000	1,125,000	1,150,000	1,175,000	1,175,000	1,175,000	9,415,000
	3,767,809	3,767,809	3,767,809	3,707,705	3,439,228	3,110,430	2,728,685	2,301,991	1,685,248	653,494	
	320,264	450,528	320,264	315,155	292,334	264,387	231,938	195,669	143,246	55,547	
	190,000	450,528	320,264	315,155	292,334	264,387	231,938	195,669	143,246	55,547	2,459,068
	130,264	0	0								
	0	0	60,104	268,477	328,798	381,745	426,694	616,743	1,031,754	653,494	3,767,809
										465,959	Excess credits
											over loan payoff
	1,800,000	1,800,000	1,800,000	1,739,896	1,471,419	1,142,621	760,876	334,182	0	0	
	153,000	306,000	384,528	147,891	125,071	97,123	64,674	28,405	0	0	
	0	74,472	384,528	147,891	125,071	97,123	64,674	28,405	0	0	922,164
	153,000	251,528	0								
	0	0	60,104	268,477	328,798	381,745	426,694	334,182	0	0	1,800,000

ATTACHMENT #1:

Project Overview and Background Material on the Business Assistance Center and Development Lending Company (BAC/DLC)

Project Background

In its effort to create and retain jobs through small business development, the City of Seattle through the Office of Economic Development has used federal funds to operate a small business loan program for many years. Loan assistance has been targeted to blighted communities and low income populations within City limits, as well as WMBEs. Typically these borrowers are turned away from conventional financing opportunities and come to the City's program for funding.

What has been missing in this program is the provision of technical assistance which is crucial when making higher risk loans. Our borrowers have a greater need for technical assistance and we realized that to continue making loans, we would need to provide technical assistance. Also, we realized that to grow the loan program, we would need to transfer the loan fund out to the private sector. In the private sector, it could receive matching investor funds, expand its loan products, make SBA loans, etc. This would provide an opportunity to greatly increase capital access to our target markets.

In early 1996, OED conducted focus groups and interviews of community organizations, borrowers, technical assistance providers, and financial assistance providers to consult with them on the direction of the program. Also extensively involved were the Seattle Small Business Lenders Association (SSBLA) and the Federal Home Loan Bank (FHLB). Until 1995, SSBLA operated a small business loan program in the target market and the results were not what they had hoped. The Banks then decided to pursue a new program with more emphasis on technical assistance (TA). In 1995, both SSBLA and the Federal Home Loan Bank had engaged in researching the extent of small business technical assistance needs in the target markets and both parties were interested in developing a technical assistance One-Stop-Shop. Although a number of technical assistance providers exist, technical assistance services are fragmented and since currently no organization provides the extent of all services needed, the One-Stop-Shop concept for the targeted market was viewed as desirable.

The City, together with SSBLA and the FHLB, started meeting to discuss their common technical assistance needs and the issues identified by the needs assessments. They began to include in their discussions community based organizations, TA and financial service providers, and other small business development advocates. The idea that emerged was the establishment of a non-profit Development Lending Company and Business Assistance Center (DLC/BAC) to provide technical assistance and lending activities to start-up and existing businesses in the City's lower-income neighborhoods.

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In the summer of 1996, City Council passed Resolution #29362 which authorized OED to issue a Request for Qualifications to identify a contractor to operate the Development Lending Company (DLC) and Business Assistance Center (BAC). OED issued an RFQ and received seven applicants. Four applicants were interviewed by a panel of interested funders and community members. The final round involved the applicants writing business plans on the development and operations lending company and the technical assistance company. OED received plans from two applicants. Both business plans were reviewed by banks and community members and the finalist chosen to develop the centers was Jim Thomas.

Jim Thomas has experience in operating the current city loan program and is familiar with the City's portfolio, and the compliance monitoring and reporting issues. He is also familiar with the target market having worked in small business development lending in that market for 18 years. Jim was Co-Chair of the Central Area Development Association (CADA), Co-Chair of the group which developed the Central Area Action Plan (CAAP), is President of the Board of HOMESIGHT, was the Sr. Lending Officer for Emerald City Bank in the Central District, President of the Rainier Chamber of Commerce, and is a founder and Sr. Partner of Parker and Thomas, a financial management and consulting company.

BAC / DLC Development

Services	<p>The BAC will provide pre-and post loan technical assistance (TA) to small businesses at every stage from start-up to existing businesses. TA will be provided directly by the BAC but, also, very importantly, the BAC will refer out and coordinate services to its clients by existing TA providers.</p> <p>The DLC will provide financing assistance (direct loans, SBA loans, micro-loans, packaging services, brokered loans, and partnered loans) to small businesses that would not otherwise be financed conventionally.</p>
Service Partners	<p>Collaborations with other service providers will be critical to providing comprehensive assistance. In addition to providing direct service, the BAC / DLC will refer its clients out and coordinate the services through existing organizations such as the SBA, Cascadia Loan Fund, University of Washington School of Business, Impact Small Business Consultants, Millennium Fund, South Seattle SBDC, etc.</p>
Market / Targets	<p>The goal of the entities will be to develop, grow and sustain small businesses located within Seattle with a special target being the Central Area, Southeast Seattle, International District and the Duwamish and areas of West Seattle located in the federally designated Enterprise Community (EC). Targets are WMBEs, micro-enterprises, manufacturers, exporters, and contractors.</p>

Corporate Form

Both entities will be non-profit corporations and will be formed in compliance with HUD rules so as to be designated as a Community Based Development Organization (CBDO) by HUD. The DLC will be a non-depository institution regulated by the State Department of Financial Institutions. Also, the DLC will make application to become designated by the U.S. Treasury as a Community Development Financial Institution (CDFI). This will allow them to apply for federal CDFI funds.

Asset Conveyance:

To help establish the new small business program and to properly capitalize the lending entity for long term success, the City will sell, on contract, most of its federally funded small business loan assets and transfer a portfolio of existing loans. \$500,000 of the assets being transferred will be in the form of a cash grant. This is required by the State Department of Financial Institutions in order to meet the minimum equity requirements to be licensed to make SBA loans. The City's lending assets will be transferred in return for a promissory note and performance contract. Loan payments will be required annually on the promissory note however, the BAC/DLC can earn credits towards the annual loan payments. A performance credit structure has been designed to provide a reward system based on both technical assistance and lending results. Credits can be earned by increasing client business sales, and by creating and retaining jobs. Extra credits can be earned for the creation of livable wage jobs (\$8 and over). Earned credits will be applied each year against the balance owed to the city. It is the city's intent that if performance outcomes are achieved, no interest or principal payments will have to be made during the 10-year purchase term. After the City loan balance is brought down to \$0, there will no longer be contractual ties with respect to the transferred assets, though the CBDO status will require that the purpose be adhered to in perpetuity.

Funding Summary

Development Lending Company (DLC)

For Relending

Existing loans being transferred = \$3,767,809

Cash in form of a loan = \$1.8 million

Cash in form of a grant = \$500,000

For Operation

First year operating subsidy = \$175,000
(The source of these funds is 1997 CDBG funds already allocated to OED in 1997 Budget)

**Funding
Summary**

Business Assistance Center (BAC)

For First Year and Start Up

City.....	\$100,000.00
EDA	45,000.00
Medina	25,000.00
LISC.....	50,000.00
US West	25,000.00
Safeco.....	20,000.00
Key Bank	30,000.00
US Bank	30,000.00
Seafirst	30,000.00
Wells Fargo	30,000.00
Washington Mutual.....	<u>5,000.00</u>
TOTAL	\$390,000.00

Notes: Additional Contributions

1. Federal Home Loan Bank provided \$5,000 for the initial feasibility work for the project.
2. Comptroller of the Currency is providing a major donation of computer hardware.
3. The contributing banks are also examining the potential for furniture donations.

Budget

The first year budget for the BAC is **\$406,837** and **\$442,305** for the DLC. As the loan portfolio and interest income grow for the DLC, the DLC should be able to contribute to the BAC's operational budget by year four. The DLC should be self sufficient after year one.

Next Page: Performance Target Summary Highlights

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Performance Target Summary Highlights:

	Year 1	Year 2	10-Year Totals
Short-term TA Assists (less than 6 hours)	125	130	1500
Long-term TA Assists	45	70	675
New Loans	32	43	392
Brokered Loans to Other Lenders	10	20	190
Jobs Created	51	210	2161
Annual Sales Increases (in Millions), (i.e., borrower sales increases and TA clients sales increases)	\$1,056	\$2,866	\$51,145

These numbers are still subject to final negotiations. Extra credit will also be provided for placing low-to-moderate income people in the jobs created, for attaining an average wage of \$8.00/hr. on the jobs created, for sustaining jobs created over time, and for successful microlending results.

Repayment Obligation and Performance Formula Highlights:

- The DLC/BAC will be borrowing \$3,767,809 and \$1,800,000 at a rate of 8.5% for 10 years. The repayment schedule is basically as follows – two years of partial interest payments with the balance of principal and interest deferred for two years. Then in years 3-10 full principal and interest payments are made to fully retire both loans by year 10.
- Credits can be earned for each year for achieving performance targets. Credits earned each year offset repayments due on the loan.
- Examples of Allowable Credits include:
 1. 7% of annual sales growth for three years following a loan or long-term assist. This credit will be subject to an annual allowable credit cap.
 2. \$1,000 per job created.
 3. An additional \$1,000 per job that is filled with a low-to-moderate income individual.
 4. 100% of the net income derived by micro-loan borrowers.

**Performance
Monitoring:**

Each year, the BAC / DLC's performance will be monitored by reviewing the annual performance credit report, and by reviewing performance toward the goals outlined in the performance contract (i.e., portfolio currency rate, achieving targets in the plan to grow the loan fund, etc.). OED will monitor the contract throughout the year to ensure that contract milestones are achieved as scheduled. OED will conduct program audits and evaluations periodically. At the City's option, the City can review and restructure the performance contract and credit structure. The City will reserve this option to ensure that the rate of earning credits matches the City's intent to achieve meaningful economic activities from the transfer of the assets.

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ATTACHMENT #2:**Cash Transfer Summary**

Fund/Account	Source of Moneys	Balance as of April 30, 1997	Appropriated to DLC	Appropriated to CDC Equity
H & CD Revenue Sharing Fund -- CDBG subfund	Payments made on business loans made with CDBG funds or program inc., not including floats	\$866,407.55	\$866,407.55	Zero
H & CD Revenue Sharing Fund -- UDAG subfund	Payments received on UDAG loans	\$1,698,498.06	\$1,113,572.45	\$584,925.61
H & CD -- Urban Renewal Close-out Subaccount	Lorig Loan	\$320,020.00	\$320,020.00	Zero

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Mr. James Thomas
May 14, 1997
Page 6

income for the purposes described above. In addition, there may be some requirements for minimum amounts of such funds to be lent in specific geographic areas of the City, (e.g., repayments on the Bush Hotel UDAG loan must be re-lent in the International District, and if HUD shall inform the City that any regulatory conditions apply to such funds, then the DLC shall comply with such conditions.

3. Loan Agreement. In addition, simultaneously with the sale of the loan portfolio, the City intends to enter into a Loan Agreement with the DLC by which the City will lend a total of \$1.8 million in program income previously received by the City on small business loans made with federal Community Development Block Grant ("CDBG") funds and Urban Development Action Grant ("UDAG") funds. The DLC shall use these funds as a CBDO to carry out an economic development project pursuant to 24 C.F.R. § 570.204, which shall consist of making and servicing small business loans, consistent with applicable federal regulations, to support job creation and business development predominantly benefiting the disadvantaged communities of the City of Seattle. Such loans shall predominantly benefit residents of the target area which consists of the City's Enterprise Community plus all other portions of the Central District, Southeast Seattle, the Delridge Area, and the International District (collectively, the "Target Area"). intended to include, but not be limited to, the City's Enterprise Community as approved by HUD. Loan funds shall be disbursed in a lump sum by the City into a controlled account at a financial institution acceptable to the City. The funds in such account shall earn interest

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for the benefit of the DLC but shall be held as security for the City and shall not be released except upon the consent of the City as required for a particular loan by the DLC. The City shall have the right to require evidence of compliance with applicable federal regulations and the terms of the Loan Agreement as a condition to such disbursement. The City's loan to the DLC will be evidenced by a promissory note ("Loan Note") which will bear simple interest at 8.5% per annum and shall be repaid in annual installments commencing November 1, 1998, in accordance with the Schedule as shown in Exhibit C. However, the DLC shall be entitled to earn performance credits against its obligations on the Loan Note under the terms of the performance credit provisions set forth in the Asset Sale Agreement. Performance credits earned in any year shall apply first to the amounts then due on the Loan Note, then to amounts due on the Asset Sale Note. Excess performance credits will carry forward to future years, but will not be redeemable for cash or usable against any obligations to the City other than the Loan Note and Asset Sale Note.

The Loan Agreement will incorporate the basic performance standards summarized in Section 7 below.

The Loan Agreement shall include a provision by which the DLC will act as servicing agent for the City on any and all "CD Float" loans made by the City during the ten year term of the loan note, and on the City's UDAG loan to Promenade 23 Associates. The DLC's duty shall include monitoring of borrowers and collateral, including letters of credit; determining amounts due and sending notices to borrowers; receiving payments and depositing them as directed by the City; loan accounting; monitoring reporting of

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employment activities by borrowers and their tenants; and processing disbursement requests for final approval by the City. Compensation for the above services is included in the overall package of agreements described in this letter, so the DLC shall not be entitled to additional compensation or cost reimbursements for these services.

The Loan Agreement shall require that the DLC maintain fidelity bonding and insurance acceptable to the City .

4. Grant Agreement. Simultaneously with the transactions described above, the City intends to enter into a Grant Agreement with the DLC, by which the City will grant to the DLC the amount of \$500,000 in UDAG loan program income. It is the parties' intent that such funds will qualify as minimum capital for purposes of Washington State regulation of nonbank lenders. However, consistent with applicable agreements between the City and HUD, such funds shall be used only for activities that carry out the objectives of Title I of the Housing and Community Development Act of 1974, as amended. Use of such funds for small business loans consistent with the terms of the Loan Agreement shall satisfy this requirement. The grant funds shall be held in an account at the same financial institution as the account for the loan funds. Until the DLC is fully licensed as an SBA 7(a) nonbank lender, and thereafter to the extent allowed by law, these funds shall be subject to prior City approval for disbursement. Subject to State regulatory requirements, such funds shall be available for disbursement as and when required for small business loans eligible under the terms of the Loan Agreement. If there shall be a default on the

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terms of the Loan Agreement or the Asset Sale Agreement prior to the disbursement of all grant funds from such account, the City shall have the right to recapture the remaining grant funds, or, if return of such funds is prohibited by State law or regulations, then the DLC shall be required to pay an amount equal to such remaining funds to the City from other sources, which amount shall not apply against the Asset Sale Note or Loan Note.

5. Grant Agreement to DLC (CDBG Operating Funds). The City further intends to enter into an additional grant agreement with the DLC for a one-time grant of \$175,000 in CDBG funds to support a portion of the DLC's lending operations, including staff costs. The DLC shall agree to comply with all regulatory requirements and customary provisions in similar City funding agreements. Funds will be available as eligible costs are incurred and are properly documented to the satisfaction of the City. The City shall have the right to terminate this grant agreement upon default under any of the other agreements.

6. Grant Agreement for BAC. Upon consummation of the transactions described above with the DLC, the City intends to enter into a grant agreement with the BAC to provide \$100,000 in CDBG funds and \$45,000 in Economic Development Administration ("EDA") grant funds to support a portion of the BAC's initial operations.

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7. Requirements of All Agreements. The DLC and BAC will be required to satisfy basic performance requirements under all of the foregoing agreements. The basic requirements are summarized in this Section, but will be set forth in more detail in the definitive agreements. These requirements shall apply so long as any of the foregoing agreements are in effect, and failure to satisfy any of them shall be a default on each of the Notes and agreements then in effect:

i. The BAC and DLC will open for operations within 30 days of closing of the asset transfer transaction.

ii. The operations of the BAC and DLC must be highly integrated with the work of each supporting the other. BAC and DLC each must continue in active operation with a minimum annual operating budget of \$300,000 for the BAC and \$375,000 for the DLC.

iii. The DLC must keep an 80% minimum currency rate on the DLC loan portfolio at all times. Currency is defined as loans not more than 30 days past due, and currency rate is based on the percentage of dollar amount in loans outstanding. If the currency rate falls below the minimum currency rate for more than 90 days, this will trigger a default.

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iv. The BAC and DLC must be certified by the City of Seattle Department of Housing and Human Services ("DHHS") as a Community Based Development Organization ("CBDO") according to 24 CFR Section 570.204(c)(1), and keep the CBDO status.

v. The BAC must be connected to the Small Business Administration ("SBA") Seattle District Office's Enterprise Center. Such connection must be evidenced by formal agreement specifying how BAC and SBA will work together to provide quality technical assistance to BAC clients in a way that takes advantage of both parties' strengths. The agreement with SBA must be received by City OED within 60 days of closing the asset sale transaction. Other agreements with other organizations are also highly encouraged and shall be forwarded to City OED as they are developed. The BAC shall use its best efforts to keep such agreements in effect but if an agreement is terminated without fault of the BAC, it shall not be a default under the agreements described herein.

vi. The DLC must apply for status and funding as a Community Development Financial Institution (CDFI) by the end of the 2nd year of operations.

vii. The DLC must apply to the SBA to become an SBA micro-lender by the end of the 2nd year.

viii. The DLC must raise additional capital for lending. The DLC's business plan states that it must raise \$1 million by the end of Year 4 and \$1 million by the end of Year 5. Failure to do so will trigger default.

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ix. The BAC and DLC must comply with all CDBG compliance, documentation and reporting requirements for the initial round of CDBG lending and for the portion of technical assistance supported by CDBG.

x. In order to reduce dependence on both public and private external subsidy, the DLC and BAC income must support at least 25% of BAC operations by the 4th year of operations. This income support should continue to increase from years four to ten.

xi. The BAC and DLC must graduate borrowers to conventional financial institutions and keep and prepare a report on how many were graduated annually. Graduation is defined as full payoff of a DLC loan from the proceeds of a new loan from a conventional lender.

xii. The DLC shall be licensed as a nonbank lender under RCW Ch. 31.40 by the State of Washington Director of Financial Institutions and shall obtain approval from the United States Small Business Administration ("SBA") as a "7(a) lender" within the first nine months after closing.. The DLC will continue to be so licensed and qualified with both the SBA and Washington State Department of Financial Institutions, and will comply with all laws and regulations applicable to such nonbank lenders.

xiii. The DLC will not sell, transfer, or pledge its assets without the advance written consent of the City.

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xiv. Within 60 days of closing this transaction, the DLC and BAC must complete a survey of all clients in the Portfolio to determine existing employment levels and 1996 sales levels. These figures will be used for the purpose of calculating performance credits.

xv. As of 4/22/97 existing City fund raising efforts to raise operational capital for a Business Assistance Center have produced \$380,000 in commitments which are expected to be available to the Business Assistance Center; however, the City cannot assure receipt of such funds by the BAC. This is lower than the original \$450,000 projected in fund raised dollars for the BAC's first year of operation. It is the sole responsibility of the BAC to raise future funding for the BAC operations. The City makes no commitment or representation as to any future support or subsidy to the BAC.

xvi. The BAC and DLC must establish its primary place of business as follows:

- (a) located in the South East, Central District, or International District
- (b) have a street presence, is visible from the street
- (c) have parking available
- (d) must be handicapped accessible
- (e) is suitable for co-location of other TA and lending entities.

DLC and BAC must be in operation in a location meeting the above description as early as practicable, but in any event not less than two years after closing of the sale of the Portfolio. A plan for this move must be submitted within 6 months after closing. In any

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event all offices of the BAC and DLC must at all times satisfy all applicable federal, State, and local laws, ordinances and regulations, including those applicable to facilities receiving federal funds.

xvii. The BAC and DLC must hire the Operations Manager within 60 days of opening for operation. Among other responsibilities, the Operations manager (OM) will be in charge of ensuring that the operations of both entities flow smoothly and are integrated with each other. The OM will also be responsible for setting up the infrastructure of systems required to monitor the City compliance requirements, and will be responsible for ensuring a quality of service from area TA providers. The OM will be responsible for reporting requirements to the City. Prior to hiring the OM, the Director of City OED shall review the final job description for the position and shall review the resumes of any candidates being considered before any offer is tendered.

xviii. The DLC shall not be allowed to use the principal portion of its fund to pay for operating costs.

xix. In the event of a vacancy in the Executive Director position, the Board of the DLC or any of the affiliated companies shall submit to the OED Director a job description and any resumes of candidates being considered. The Director of City OED or her designee shall be a participant in any Executive Director hiring process.

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8. Responsibility of Companies. The DLC, the BAC, and SEDA shall be jointly and severally liable and responsible for all of the obligations of any of them under the documents referred to in this letter, and under any ancillary loan, grant, or sale documents. In addition, a default by the BAC or DLC under any of the above agreements shall, at the option of the City, be a default under any or all of the other agreements.

9. Continuation of Economic Development Activities After Termination of City Agreements. It is the parties' intent that all obligations of the Companies to the City shall be fully paid and discharged in ten years. However, the parties wish to insure that the DLC and BAC will continue to use their available assets and loan income to continue to carry out the purposes for which they have been organized. Therefore, the articles and bylaws of the Companies, and any other necessary documents, will contain permanent provisions satisfactory to the City committing the DLC and BAC to continue their purposes as CBDOs predominantly benefiting the Target Area; and preventing any change in the corporate purposes of these entities or any distribution of assets to any entity not committed to fulfilling such purposes without the City's advance written consent.

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May 14, 1997
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If this letter correctly reflects our mutual intent, please countersign and return the enclosed copy of this letter. We will then proceed to prepare the binding legal agreements to accomplish the transactions described above.

Yours very truly,

MARY JEAN RYAN, Director
Office of Economic Development

Exhibit A: Loan Portfolio Listing
Exhibit B: Performance Credit Plan
Exhibit C: Payment Schedules

We hereby confirm our intent to proceed with the transactions described in the above letter under the terms and conditions described above. We understand that there will be no legally binding commitment until definitive agreements have been completed and executed by all parties.

SEATTLE ECONOMIC DEVELOPMENT ASSOCIATION

By: _____
Name: _____
Title: _____

SEATTLE ECONOMIC DEVELOPMENT FUND

By: _____
Name: _____
Title: _____

SEATTLE BUSINESS ASSISTANCE CENTER

By: _____
Name: _____
Title: _____

MJR:rlh

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City of Seattle

Executive Department—Office of Economic Development

Mary Jean Ryan, Director
Norman B. Rice, Mayor



May 14, 1997

TO: Honorable Jan Drago, Council President

VIA: Judy Bunnell, Acting Director
Office of Management and Budget

FROM: Mary Jean Ryan, Director *MJR*

SUBJECT: Proposed Legislation

The purpose of this letter is to convey to you the proposed Ordinance which would establish the Business Assistance Center and the Development Lending Company. The project description and background is provided as an attachment to this cover letter.

The Ordinance is rather complicated because it has to undo years of prior ordinances and appropriations related to federally funded community development lending.

Listed below are the key actions embodied in the Ordinance:

1. The majority of the City's existing small business loans are sold to the Development Lending Company. The loans being sold are listed on Exhibit A to the Ordinance. They represent a total value of \$3,767,809.00. We are not selling the loans currently in the Law Department for collection action. We also are not selling the Promenade 23 UDAG loan because we want to keep the flexibility to restructure it to assist further redevelopment at the shopping center.
2. The key conditions of this transaction are outlined in a Letter of Intent (Exhibit B to the Ordinance).
3. The performance targets and the performance credit provisions are outlined in Exhibit C to the Ordinance.

The basic concept is that the City sells its existing loans, valued at \$3,767,809.00 and provides \$2.3 million in cash to capitalize the Lending Company. \$1.8 million of the cash is provided as a loan. \$500,000 of the cash is provided as a grant. See cash transfer summary table (Attachment #2). The grant meets the minimum equity requirement of the State Banking Supervisor for the licensing of a non-bank lending company which will be allowed to make SBA-guaranteed loans. In return, the City gets repaid over a ten-year period in cash

Council President Jan Drago
May 12, 1997
Page 2

or in performance. If the entities meet the performance targets, they can earn credits against their annual repayment. This structure is modeled after the State of Michigan's successful Business and Industrial Development Company program.

4. This Ordinance gives the OED Director the authority to negotiate and enter into the agreements needed to implement the letter of intent and to modify the performance credit terms over time to protect the interest of the City.
5. The Ordinance amends the City's 1997 Consolidated Plan, which governs City usage of CDBG funds.
6. The Ordinance authorizes a reprogramming of \$50,000 of 1993 CDBG funds to OED for the Business Technical Assistance component of the project. As part of the transaction, the City will be providing \$100,000 toward the operating costs of the Business Assistance Center. The reprogrammed \$50,000 is part of the \$100,000 being provided.
7. The Ordinance establishes that the repayments obtained from the Promenade 23 UDAG will be deposited into the Central Area Equity Fund and be appropriated for purposes consistent with that fund. The fund is used to provide CDCs with an equity source for significant community development real estate projects.
8. The Ordinance also establishes that the balance of the cash, up to a maximum of \$700,000.00, not transferred to the DLC for relending will be used for CDC project equity. OED will implement this by collaborating with LISC, the Seattle Community Development Partnership or other entities involved in assisting CDCs with financing significant community development projects.

A cash transfer summary table has been added to this memorandum as Attachment #2.

Thank you for your consideration of this very exciting project.

If you have any questions, please call me at 684-8069 or Janet Credo at 684-8378.

City of Seattle

Executive Department—Office of Management and Planning

~~Thomas M. Tierney, Director~~
Norman B. Rice, Mayor

May 12, 1997

The Honorable Mark Sidran
City Attorney
City of Seattle

Dear Mr. Sidran:

The Mayor is proposing to the City Council that the enclosed legislation be adopted.

REQUESTING DEPARTMENT: Office of Economic Development

SUBJECT: AN ORDINANCE relating to economic development; authorizing sale of notes receivable derived from federal Community Development Block Grant ("CDBG"), Urban Development Action Grant, and Urban Renewal funds to a nonprofit development lending company; appropriating income received from those notes for loans and grants to such company and for other community development projects; authorizing a grant of CDBG funds for business technical assistance activities and appropriating funds therefor; authorizing amendment of the City's Consolidated Plan; amending Ordinance 116854 and abandoning certain appropriations under Ordinances 116854 and 116341; authorizing appropriate agreements; and ratifying and confirming prior acts.

Pursuant to the City Council's S.O.P. 100-014, the Executive Department is forwarding this request for legislation to your office for review and drafting.

After reviewing this request and any necessary redrafting of the enclosed legislation, return the legislation to OMP. Any specific questions regarding the legislation can be directed to Pascal St. Gerard at 684-8085.

Sincerely,

Norman B. Rice
Mayor

by

JUDY BUNNELL
Director

h:\legisl\wlr\gerard16

Enclosure

Accommodations for people with disabilities provided on request. An equal employment opportunity - affirmative action employer.
Office of Management and Planning 300 Municipal Building, Seattle, Washington 98104-1826
(206) 684-8080 • (TDD) 684-8118 • FAX (206) 233-0085

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SPONSORSHIP

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY
THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

Maxine Chase

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

FOR CITY COUNCIL PRESIDENT USE ONLY

COMMITTEE(S) REFERRED TO: _____

PRESIDENT'S SIGNATURE

C. S. 20.28

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STATE OF WASHINGTON - KING COUNTY

81507
City of Seattle, City Clerk

—SS.

No. ORD BY TITLE

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council May 27, 1997, and published here title only, will be mailed, at no cost, on request for two months after this publication. For further information, contact the Seattle City Clerk at 684-4447.

ORDINANCE NO. 118593

Related to the Seattle Public Utilities, authorizing an agreement for the design, building, and operation of a Tolt River water filtration plant.

ORDINANCE NO. 118594

AN ORDINANCE relating to the City Light Department and the municipal power plant and system and authorizing an agreement providing for hourly coordination among the seven hydroelectric projects between Grand Coulee and Priest Rapids on the mid-stretch of the Columbia River.

ORDINANCE NO. 118595

AN ORDINANCE relating to economic development; authorizing the sale of notes receivable derived from federal Community Development Block Grant (CDBG), Urban Development Action Grant, and Urban Renewal funds to a nonprofit development lending company; appropriating income received from those notes for loans and grants to such company and for other community development projects; authorizing a grant of CDBG funds for business technical assistance activities and appropriating funds therefor; authorizing amendment of the City's Consolidated Plan; amending Ordinance 116854 and abandoning certain appropriations under Ordinances 116854 and 116341; authorizing appropriate agreements; and ratifying and confirming prior acts.

ORDINANCE NO. 118596

AN ORDINANCE relating to the Executive Services Department; making an appropriation from the Cumulative Reserve Subfund, Capital Projects Account, for costs associated with reroofing and partial seismic upgrades at the Vehicle Maintenance Shop at 805 South Charles Street and for reroofing the police Canine Unit at 11030 East Marginal Way South; all by a three fourths vote of the City Council.

Publication ordered by JUDITH PIP, City Clerk.

Date of official publication in the Daily Journal of Commerce, Seattle, June 10, 1997 (81507).

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

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was published on

06/10/97

The amount of the fee charged for the foregoing publication is the sum of \$ _____, which amount has been paid in full.

Subscribed and sworn to before me on
06/10/97

Notary Public for the State of Washington,
residing in Seattle

Affidavit of Publication